

City of Pulaski

Independent Accountant's Examination Report
on Applying Agreed-Upon Procedures
For the Period
August 1, 2014 Through July 31, 2015



MARTIN P BROWN CPA

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
And Members of City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Pulaski for the period August 1, 2014 to July 31, 2015. The City of Pulaski's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

8. I reviewed compliance with Chapters 12C.2, 12B.10 and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds and notes and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. I reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. I reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. I reviewed and tested selected payroll and related party transactions for propriety, proper authorization and accurate accounting.
15. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Pulaski, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Pulaski and other parties to whom the City of Pulaski may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the City of Pulaski during the course of these agreed upon procedures. If you have any questions concerning any of the above matters, I will be pleased to discuss them with you at your convenience.

A handwritten signature in blue ink, appearing to read "Martin P. Brown CPA". The signature is stylized with a large, flowing "M" and a distinct "P" and "B".

Martin P Brown CPA
Certified Public Accountant
November 17, 2015

City of Pulaski
Detailed Recommendations
For the period August 1, 2014 through July 31, 2015

(A) Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash: handling, recording and reconciling.
- (2) Receipts: opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements: purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll: recordkeeping, preparation and distribution.
- (5) Financial Reporting: preparing and reconciling.
- (6) Journal Entries: preparing and journalizing.

Recommendation: Segregation of duties is difficult with a limited number of employees. However, the City should periodically review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. The independent review procedures set up by the City, including reviews of reports by the Mayor and City Council, should be monitored to ensure continued compliance.

(B) City Council Meeting—Clerk's Report: Total receipts and fund balances are not reported in the Clerk's Report.

Recommendation: The City should establish procedures to ensure that revenues and fund balances are being accounted for in the Clerk's Report.

(C) City Council Meeting Minutes—Signature: Minutes of meetings have not been signed.

Recommendation: The City should ensure all minutes are signed by both the Mayor and Clerk as per Iowa Code Chapter 380.7.

(D) Bank Reconciliations: Bank reconciliations are being done monthly, but no documentation of the reconciliations or independent approval is retained.

Recommendation: Bank reconciliations should be maintained by the City, and should indicate approval of an independent individual designed by the City Council by initials or signature and date of review.

City of Pulaski
Detailed Recommendations
For the period August 1, 2014 through July 31, 2015

- (E) Deposits and Investments—Depository Resolution: A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12.C.2 of the Code of Iowa.

Recommendation: The City Council should, by resolution, approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12.C.2 of the Code of Iowa.

- (F) Deposits and Investments—Investment Policy: The City has not adopted a written investment policy as required by Chapter 12.B.10B of the Code of Iowa. Per the agreed upon procedures engagement, no investments were held by the City during the period reviewed.

Recommendation: The City should adopt a written investment policy that complies with Chapter 12B.10B of the Code of Iowa.

- (G) Annual Financial Report—Debt Reporting: Total debt was not reported on the Annual Financial Report.

Recommendation: The City should establish procedures to ensure the information on the Annual Financial Report is complete, and should take action to correct the reports.

- (H) Debt Payments—Late Fees: The City incurred a late fee of \$36 due to a late loan payment. Had the payment been made on time, the fee would not have been incurred by the City.

Recommendation: The City should establish procedures to ensure the City's debt payments are approved by the City Council in a timely manner to prevent late fees from being incurred.

- (I) Reconciliation of Garbage Receipts, Collections and Delinquent Accounts: No reconciliation of garbage receipts or delinquent account listing was prepared by the City during the year reviewed. The City has contracted this service out beginning in fiscal year 2016.

Recommendation: Procedures should be established to ensure all delinquent billings have been resolved. Procedures should be established to reconcile receipts, collections and delinquent accounts should the City resume any services. The City Council or person designed by the City Council should monitor delinquent accounts. This review should be documented by signature or initials of the reviewer and date of review.

City of Pulaski
Detailed Recommendations
For the period August 1, 2014 through July 31, 2015

- (J) Questionable Disbursements: Two tested disbursements paid in the general account were not approved by the City Council, and may not meet the definition of public purpose as defined in the Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursements are listed below:

<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
Davis County Development	Membership	\$300.00
Iowa Workforce Development	no description	\$140.00

According to the Attorney General's opinion, it is possible for such disbursements to meet the test of service a public purpose, though such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper disbursements is very thin.

Recommendation: The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for a proper documentation.

- (K) Electronic Check Retention: Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for its checking account.

Recommendation: The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (L) Tax Increment Financing—Urban Renewal Report: The Urban Renewal Report was not approved by the City Council until February 5, 2015.

Recommendation: The City should ensure the Urban Renewal Report is approved and filed by December 1 each year.

City of Pulaski
Detailed Recommendations
For the period August 1, 2014 through July 31, 2015

- (M) Certified Budget: Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in public safety and community and economic development. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (N) Annual Financial Report—Fund Balance: Ending balance of the Special Revenue Fund per the fiscal year end 2014 Annual Financial Report is a deficit of \$28,295. The fiscal year end 2015 Annual Financial Report for the Special Revenue fund indicated a beginning balance of \$0. The deficit balance was not carried forward, and the fund may still be in deficit.

Recommendation: The City Council should establish procedures to ensure accurate reporting, and should take action to correct the reports. Corrective actions should be taken if any fund balances are determined to be in deficit.

- (O) Government Transactions—Classification: One deposit for Local Option Sales Tax was misclassified as Road Use Tax, and two Road Use Tax deposits were for incorrect amounts in the general ledger.

Recommendation: Procedures should be implemented to ensure proper classification of governmental revenue, and actions should be taken to correct the reports.

- (P) Tax Increment Financing--Urban Renewal Report: Amounts reported for Tax Increment Financing revenues, expenditures and fund balance on the Urban Renewal Report do not match city records, or the Annual Financial Report.

Recommendation: The City should implement procedures to ensure the reports are accurate, and action should be taken to correct the reports.

City of Pulaski
Detailed Recommendations
For the period August 1, 2014 through July 31, 2015

(Q) Fund Balance Reporting—Annual Financial Report: Total Fund Balance as recorded on the City's Annual Financial Report at June 30, 2015 does not reconcile to the funds held by the City on that date. The Annual Financial Report indicates balance of \$324,784, while fund in possession of the City at that date is \$314,870, a difference of \$9,914.

Recommendation: The City should establish procedures to ensure reports are accurate and should take action to correct the reports.

City of Pulaski
Other Information
For the Period August 1, 2014 through July 31, 2015

The City of Pulaski was incorporated in 1856 and in 2010 had a population of 260. It is located in Davis County.

Officials at report date:

Name:	Title:	Term Expires:
Danny Harris Jr	Mayor	12/31/2015
Sheryl Wright	Councilmember	12/31/2015
Karen Miller	Councilmember	12/31/2015
Rosa Archer	Councilmember	12/31/2015
Wayne Rogers	Councilmember	12/31/2015
Amos Archer	Councilmember	12/31/2015
Frosty Woods	Councilmember	12/31/2015
Linda Gittins	City Clerk	Indefinite

This examination was performed by Martin P Brown, Certified Public Accountant, of the firm Martin P Brown CPA